

MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY
MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY

Chart your course for a brighter future . . .



. . . set sail for higher education.

2005 Annual Report

MHEAA - MHESLA

2005 ANNUAL REPORT



Mission Statement

The mission of the Student Financial Services Bureau is to excel in assisting citizens to pursue postsecondary education by providing equality of access to student financial resources and information.

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72 (Rev. 4-06)



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

June 7, 2006

As Treasurer for the State of Michigan, I am enthusiastically committed to providing equality of access for the citizens of Michigan who pursue higher education opportunities. Each year, thousands of Michigan students and parents benefit from the services of the Michigan Higher Education Assistance Authority (MHEAA) and the Michigan Higher Education Student Loan Authority (MHESLA) in making their dream of a college education a reality.

Established in 1960, MHEAA has flourished by providing exceptional customer service to a variety of different constituents, from Michigan citizens and financial aid professionals, to other organizations that promote access to higher education throughout the State of Michigan.

MHESLA, created in 1975, remains focused on providing quality programs to enhance the higher education experience for Michigan students and their families. To achieve this goal, MHESLA continually maximizes the benefits available to its borrowers.

In 2005, MHEAA awarded more than \$107 million in scholarships and grants to Michigan students to help them reach their educational goals. As the federally designated guarantor for the State of Michigan, MHEAA's Michigan Guaranty Agency assisted more than 250,000 Michigan students by insuring over \$1 billion in federal student loans. In addition, MHESLA provided \$39 million in alternative student loans through the MI-LOAN Program so state residents could attend institutions of higher education here in Michigan.

These are but a few of the highlights from 2005 that emphasize our commitment to the citizens of Michigan and our efforts to present them with the power of choice when it comes to higher education. By offering equality of access, superior customer service, and devotion to the pursuit of higher education, MHEAA and MHESLA continually strive to help Michigan students realize their dreams.

Sincerely,

A handwritten signature in cursive script that reads "Robert J. Kleine".

Robert J. Kleine
State Treasurer

430 WEST ALLEGAN STREET • LANSING, MICHIGAN 48922
www.michigan.gov/treasury • (517) 373-3200

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“Education: Being able to differentiate between what you do know and what you don’t. It’s knowing where to go and find out what you need to know; and it’s knowing how to use the information once you get it.”

William Feather

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“Do not go where the path may lead; go instead where there is no path and leave a trail.”

Ralph Waldo Emerson

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Preface

Overview

The Michigan Higher Education Assistance Authority (MHEAA) was established under Public Act 77 of 1960 to enhance freedom of choice and equality of access to Michigan students seeking a postsecondary education. MHEAA administers a wide variety of state and federal scholarship, grant, and loan programs. In addition, MHEAA annually assists hundreds of thousands of Michigan citizens through public service and outreach initiatives, as well as a scholarship search service known as the MI-SEARCH Program. The first meeting of MHEAA was held in December 1960, and MHEAA guaranteed its first student loan in November 1962.

The Michigan Higher Education Student Loan Authority (MHESLA) was created by Public Act 222 of 1975 to provide loans for postsecondary education to students and parents. MHESLA offers several borrower benefits through their Michigan Student Loan Program, the State Secondary Market, and the Michigan Alternative Student Loan (MI-LOAN) Program. MHESLA's programs are financed by tax-exempt and taxable financings. There are no state appropriations required to make or acquire the loans or for the administration of the programs. MHESLA's Fiscal Affairs section is responsible for the accounting and reporting, cash management and investing, budget, and technical analysis activities for MHESLA and for MHEAA. Fiscal activities include providing financial statements and required federal and state reports to various entities, acting as a liaison to state, federal, and private auditors, developing and monitoring MHESLA and MHEAA (collectively the "Authorities") budgets, and providing technical assistance and advice on options for financial management programs.

Regular MHEAA and MHESLA meetings are held at least once each calendar quarter at a time and place deemed appropriate, within the State of Michigan. Special MHEAA and MHESLA meetings may be called by the Chair and/or Executive Director when events warrant prompt attention. All meetings comply with the provisions of the Open Meetings Act, Public Act 267 of 1976. MHEAA and MHESLA members are appointed by the Governor, with the advice and consent of the Senate. Members are appointed for four-year terms of office, holding office until their successor's appointment is qualified. Terms of one-fourth of the members will expire each year, with vacancies being filled for the balance of an unexpired term. The State Treasurer or the State Treasurer's designee serves as the Chair, ex-officio of the Authority, and the other 15 members include: two representatives from private colleges; two representatives from community colleges; one representative from the University of Michigan; one representative from Michigan State University; one representative from Wayne State University; two representatives from all other four-year public colleges and universities; one representative from secondary schools; one representative from eligible lending institutions; one representative from private occupational schools; and three representatives from the citizens of the state, chosen for their interest in higher education, but not employed by, professionally affiliated with, or on the governing body of a college, university, or public high school. Members of MHEAA and MHESLA do not receive compensation for their services.

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"The great aim of education is not knowledge, but action."

Herbert Spencer

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Responsibilities

The Role of MHEAA and MHESLA

MHEAA and MHESLA were formed under Michigan legislation with the express purpose of benefiting Michigan students. In the 46 years since the establishment of the Authorities, MHEAA and MHESLA have consistently provided premier customer service, nationally recognized borrower benefit programs, and a commitment to deliver the best financial aid resources to Michigan students, with particular attention given to helping students attend and stay in Michigan after graduation.

To successfully carry out the mission to assist Michigan students and families, MHEAA and MHESLA must perform exceptionally in a variety of roles, from serving as the federally designated guarantor for the state of Michigan, to working with the Michigan Student Financial Aid Association, individual schools and lenders in the delivery of training and financial aid programs, and strategically partnering with other associations and organizations to provide free public services to the community.

In a number of areas, the role of MHEAA and MHESLA helps Michigan student's dreams of going to college a reality.

The Authorities:

- Promote access to financial aid resources and information through outreach activities with students, high school counselors, financial aid professionals, and other strategic partners so students and families can plan for, and succeed in higher education.
- Administer federal and state loan programs designed to help Michigan students and parents meet the cost of higher education.
- Obtain and insure capital for higher education student loans made through the Federal Family Education Loan Program (FFELP) as well as the Michigan Alternative Student Loan (MI-LOAN) Program.
- Remain a self-supporting agency within Michigan state government and annually reinvest fund earnings to support student loan borrower benefit programs and to fund free public service outreach initiatives.
- Streamline financial aid in Michigan by having all financial aid resources and information in one single, integrated student aid delivery system.
- Maximize partnerships to ensure low-cost student loan delivery to all Michigan students.

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"Only the curious will learn and only the resolute will overcome the obstacles to learning. The quest quotient has always excited me more than the intelligence quotient."

Edmund S. Wilson

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Executive Summary

Fiscal Year 2005 in Review

MHEAA and MHESLA are committed to achieving the Governor's goal to double the percentage of Michigan citizens who attain college degrees or other credentials that link them to success in Michigan's economy. This charge, introduced in June 2004 in Executive Order 2004-32, was one of the hallmarks of the Cherry Commission findings to propel Michigan to higher levels of economic growth by addressing the need for higher levels of education in Michigan. In Fiscal Year (FY) 2005 the Authorities awarded more than \$107 million in grants and scholarships and administered more than \$1.6 billion in federal and state student loan programs for Michigan students to help them attend college.

In 2005 the Authorities initiated and/or continued to work with state and federal financial aid programs designed to assist Michigan citizens and students. Highlights of these programs include:

- The Michigan Engineering Incentive (MEI), a program designed to encourage more students to consider study and careers in the engineering and technology fields, was introduced. MHESLA administers the program.
- In the past fiscal year the Michigan Students First (MSF) borrower benefit program has helped over 110,000 students and 10,000 parents save over \$18 million in up-front costs on their Stafford and PLUS loans, with the potential for future savings. In addition to the up-front savings, for a \$10,000 loan, a typical borrower can save approximately \$3,700 by making their first 36 monthly payments on time and then continuing to keep their loan current.
- In FY 2005 MHESLA's MI-LOAN Program disbursed over \$39 million in alternative student loans to assist Michigan students attending Michigan colleges and universities.
- As of September 30, 2005, MHESLA's State Secondary Market has acquired \$2.2 billion in FFELP loans.
- Approximately 1,400 students who received the Michigan Nursing Scholarship are now working as nurses in Michigan helping to address the nursing shortage.
- The Office of Scholarships and Grants awarded over \$2.5 million in Adult Part-Time Grants to financially needy, independent undergraduate students who had been out of high school for at least two years to aid in their completion of a college education.
- The Michigan Guaranty Agency (MGA), for the first time since inception, guaranteed \$1 billion in loans in one year for students attending institutions of higher education.
- MGA lowered its default rate on guaranteed federal student loans to 5.1% from 7.8%.
- MGA published the *Michigan Postsecondary Handbook*, designed for high school counselors and other professionals, to assist students with pursuing a postsecondary education.
- The Student Financial Services Bureau (SFS) provided technical assistance in the coordination of 21 College Goal Sunday sites located throughout Michigan. These events provided opportunities for students to receive professional help in obtaining federal student aid, including the completion of the Free Application for Federal Student Aid (FAFSA).
- SFS assisted in the promotion of the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) Michigan! program. The mission of GEAR UP Michigan! is to increase the number of low-income students who are prepared to enter and succeed in postsecondary education by promoting academic excellence through a variety of services.

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“What we want to see is the child in pursuit of knowledge, and not knowledge in pursuit of the child.”

George B. Shaw

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Scholarship and Grant Program Descriptions

Michigan Scholarship and Grant Programs

Michigan Competitive Scholarship (MCS): MCS is a program funded by the state of Michigan and is based on both financial need and merit. Students may use MCS funds at degree-granting Michigan public and independent postsecondary institutions. Awards are restricted to the cost of tuition and fees, and the award maximum was \$1,300 in FY 2005. The legal basis for MCS is Public Act 208 of 1964.

Michigan Nursing Scholarship (MNS): MNS is a non-need-based award available to Michigan residents enrolled at least half-time at an eligible institution in a program leading to a Licensed Practical Nurse (LPN) certification, Associate Degree in Nursing (ADN), or Bachelor of Science in Nursing (BSN). The MNS provides up to \$4,000 per year for students, and converts to a loan if the student does not complete education and/or work requirements. The legal basis for MNS is Public Act 591 of 2002.

Michigan Educational Opportunity Grant (MEOG): MEOG is available for needy undergraduate students who enroll on at least a half-time basis at a Michigan public community college or university. The grant provides up to \$1,000 per academic year. The legal basis for MEOG is Public Act 273 of 1986.

Adult Part-Time Grant (APTG): APTG is intended for financially needy, independent undergraduates who have been out of high school for at least two years. Eligible students must enroll at a participating public or independent degree-granting Michigan college or university on a part-time basis. The maximum grant is \$600 per year for not more than two years of study. The legal basis for APTG is Public Act 102 of 1986.

Michigan Tuition Grant (MTG): MTG is intended to provide students with increased access and choice to attend degree-granting Michigan independent postsecondary institutions. The need-based award maximum was \$2,000 in FY 2005. The legal basis for MTG is Public Act 313 of 1966.

Federal Scholarship and Grant Programs

Leveraging Educational Assistance Partnership Program (LEAP): LEAP provides federal matching funds for states administering comprehensive need-based student financial assistance programs. Existing state program regulations authorize states to assist students. These funds supplement MCS. The legal basis for LEAP is Public Law 89-239 of Title IV.

Robert C. Byrd Honors Scholarship (Byrd Scholarship): The Byrd Scholarship, which provides \$1,500 to high school graduating seniors, is a federally funded program administered by the state. The program is intended to promote student excellence and achievement, and to recognize exceptionally able students who show promise of continued achievement.

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“Perhaps the most valuable result of all education is the ability to make yourself do the thing you have to do, when it ought to be done, whether you like it or not; it is the first lesson that ought to be learned; and however early a man’s training begins, it is probably the last lesson that he learns thoroughly.”

Thomas Henry Huxley

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Self-help Program Descriptions

Michigan Self-help Financial Aid Program Descriptions

Michigan Alternative Student Loan (MI-LOAN) Program: The MI-LOAN Program offers an alternative source of loan funds to creditworthy and credit-ready Michigan students and parents to assist in meeting the costs of postsecondary education. The legal basis for the MI-LOAN Program is Public Act 222 of 1975, as amended.

State Secondary Market (SSM): The SSM purchases federally insured loans from financial institutions as a means of liquidating their assets and providing new capital to reinvest in new student loans. The legal basis for SSM is Public Act 222 of 1975, as amended.

Michigan Work-study (MWS) Program: The MWS Program gives needy undergraduate and graduate students the opportunity to earn money toward their education while enrolled in school. The legal basis for the MWS Program is Public Act 303 of 1986 (graduate) and Public Act 288 of 1986 (undergraduate).

Michigan Direct Student Loan Program (MDSLP): The MDSLP offers subsidized and unsubsidized federal Stafford, PLUS, and Consolidation loans to students and parents. The legal basis for MDSLP is Public Act 222 of 1975, as amended.

Federal Self-help Financial Aid Program Descriptions

Federal Family Education Loan Program (FFELP): MHESLA lends, and MGA insures, student and parent borrowers money for higher education purposes through the Federal Stafford, PLUS, and Consolidation Loan Programs.

Federal Consolidation Loan Program: Allows student/parent borrowers to consolidate several types of federal student loans into one loan. The legal basis for the Federal Consolidation Loan Program is the Higher Education Act of 1965, as amended.

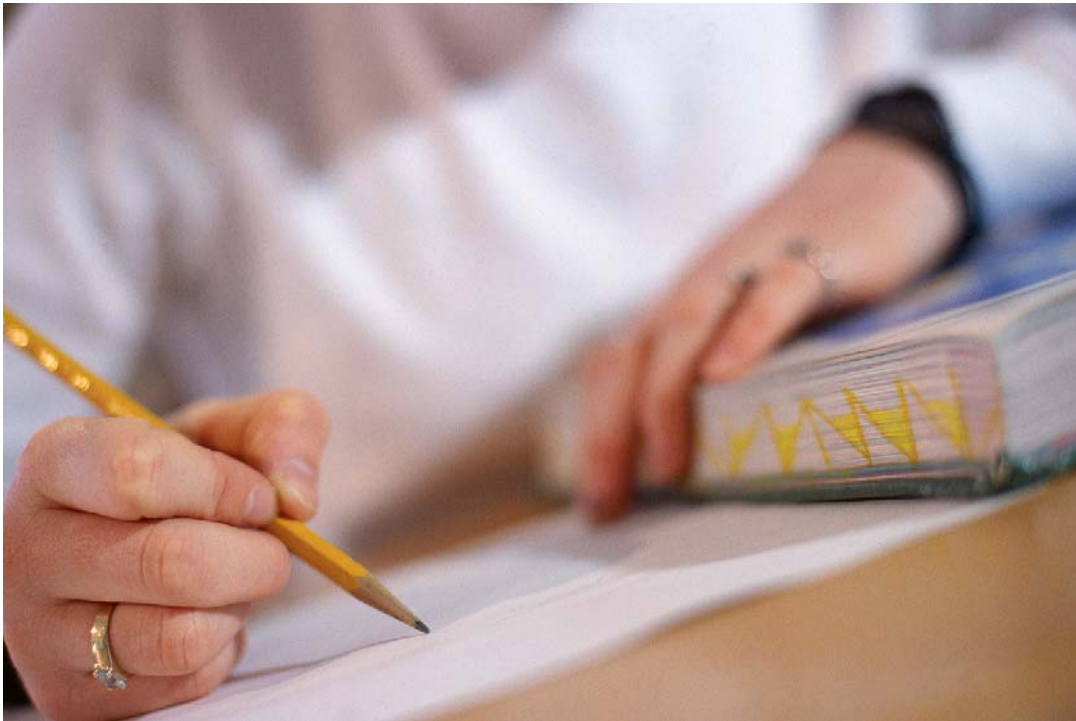
Federal PLUS Loan Program: Allows parents to borrow on behalf of undergraduate students to help meet educational expenses. The legal basis for the Federal PLUS Loan Program is the Higher Education Act of 1965, as amended.

Federal Subsidized Stafford Loan Program: Offers low interest rate loans. Interest is subsidized by the federal government pending certain requirements. The legal basis for Federal Stafford loans is the Higher Education Act of 1965, as amended.

Federal Unsubsidized Stafford Loan Program: Offers low interest rate loans. The federal government does not subsidize interest. The legal basis for Federal Stafford loans is the Higher Education Act of 1965, as amended.

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"This is what learning is: you suddenly understand something you've understood all your life, but in a new way."

Doris Lessing

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Special Michigan Program Descriptions

Special Michigan Program Descriptions

Michigan Engineering Incentive (MEI): MEI is a unique program designed to encourage more students to consider study and careers in the engineering and technology fields by offering a zero percent (0%) interest rate and a credit equal to the federal loan origination fee for eligible students in an eligible engineering or technology program.

Michigan Students First (MSF): Through MSF, borrowers can lower the cost of their federal Stafford and PLUS loans with a credit equal to the origination fee and a zero percent (0%) interest rate after 36 on-time payments.

Michigan Advantage Consolidation (MAC): This federal loan consolidation program allows eligible student loans to be combined into one loan with the following borrower benefits: one-quarter of one percent (.25%) reduction in interest rate for automatic electronic payments and a one percent (1%) reduction in interest rate after 36 on-time payments with a minimum consolidation amount of \$7,500.

Electronic Payment Savings (EPS): EPS provides borrowers with an option for automated loan payments and an interest rate reduction of one-quarter of one percent (.25%) on all FFELP loans.

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"We each create our world by what we choose to notice, creating a world of distinction that makes sense to us. We then 'see' the world through the self we have created."

Margaret Wheatley and Kellner Rogers

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Fund Distribution

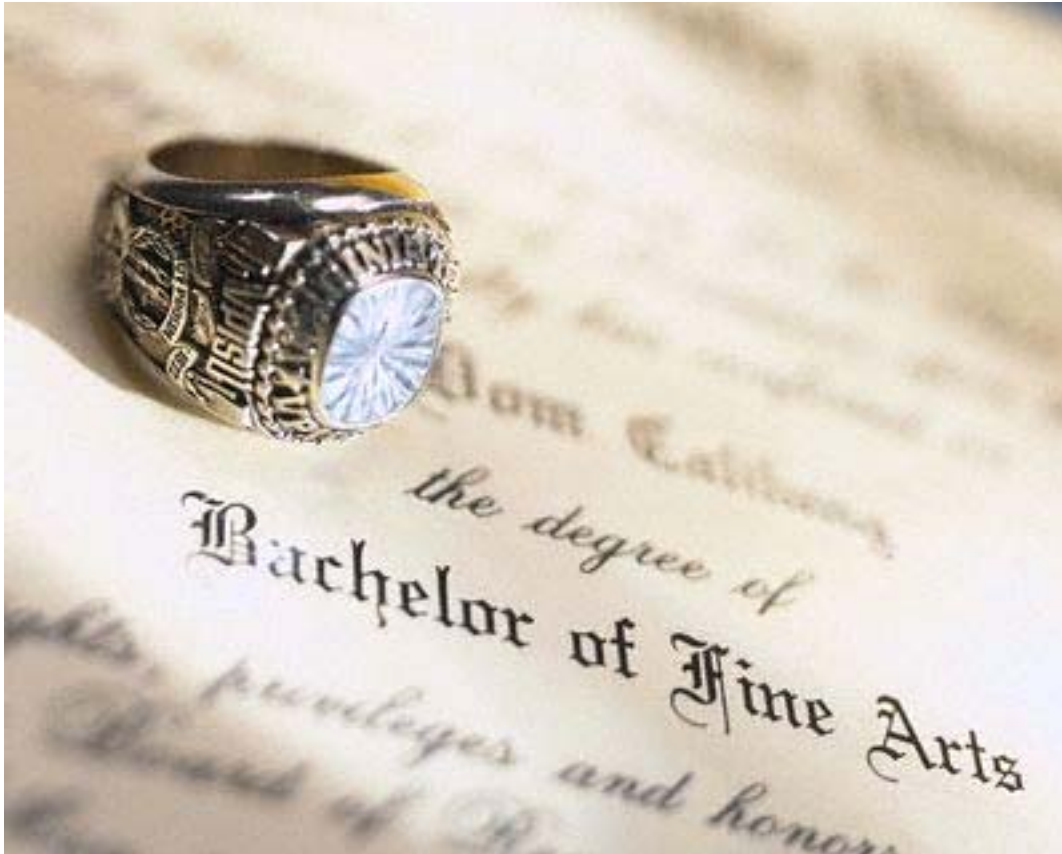
Financial Aid Program Fund Distribution

| PROGRAM | VOLUME | AMOUNT |
|---|----------------|------------------------|
| <u>Scholarships and Grants</u> | | |
| Michigan Competitive Scholarship | 28,580 | \$33,586,528 |
| Michigan Tuition Grant | 37,958 | 57,828,478 |
| Adult Part-Time Grant | 6,362 | 2,618,961 |
| Michigan Educational Opportunity Grant | 4,193 | 2,042,376 |
| Michigan Nursing Scholarship | 1,387 | 4,012,218 |
| <u>Work-study</u> | | |
| Michigan Undergraduate Work-study | 5,411 | \$6,883,336 |
| Michigan Graduate Work-study | 138 | 230,920 |
| <u>Loans</u> | | |
| <i>Michigan Guaranty Agency</i> | | |
| Federal Subsidized Stafford Loan Program | 127,150 | \$379,733,653 |
| Federal Unsubsidized Stafford Loan Program | 106,486 | 365,893,031 |
| Federal PLUS Loan Program | 6,191 | 42,305,569 |
| Federal Consolidation Loan Program | 16,501 | 297,389,976 |
| <i>Michigan Higher Education Student Loan Authority</i> | | |
| Michigan Direct Student Loan Program | 14,269 | \$107,549,626 |
| MI-LOAN Program | 5,002 | 39,397,671 |
| State Secondary Market | 154,330 | 448,261,152 |
| TOTAL | 513,958 | \$1,787,733,495 |

"Excel in assisting citizens to pursue postsecondary education by providing equality of access to student financial resources and information."

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"A college degree is not a sign that one is a finished product but an indication a person is prepared for life."

Reverend Edward A. Malloy

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Members of the Authorities

Members of MHEAA and MHESLA

MHEAA and MHESLA perform services to help make a postsecondary education attainable for Michigan residents. Members appointed by the Governor with the advice and consent of the Michigan Senate govern the Authorities. Members of the Authorities represent a variety of postsecondary and lending institutions, as well as Michigan citizens.

Mr. Jay Rising, Chair Ex-Officio
State Treasurer

Mr. Jack D. Minore
Representing Citizens of the State

Mr. Harvey Bronstein, Vice-Chair
Representing Community Colleges

Dr. Marshall Shaink
Representing Community Colleges

Ms. Phyllis Hooyman, Vice-Chair Pro Tem
Representing Private Colleges

Dr. E. John Shinsky
Representing Four-year State-supported
Universities

Mr. James Barker, Secretary/Treasurer
Representing Eligible Lending Institutions

Mr. Nathaniel Smith-Tyge
Representing Citizens of the State

Dr. Craig Douglas
Representing Secondary Schools

Mr. Stephen Terry
Representing Citizens of the State

Mr. Harvey Hollins III
Representing Wayne State University

Ms. Gina M. Torielli
Representing Private Colleges

Mr. Jonathan D. Liebman
Representing Private Occupational Schools

Ms. Cynthia H. Wilbanks
Representing the University of Michigan

Ms. Colleen M. McNamara
Representing Michigan State University

Ms. Kathleen M. Wilbur
Representing Four-year State-supported
Universities

"Excel in assisting citizens to pursue postsecondary education by providing equality of access to student financial resources and information."

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**Michigan Council
on Economic Education**

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Partners

MHEAA and MHESLA Partners Who Share our Goals

MHEAA and MHESLA are engaged in various local, state, and national partnerships to help improve access to postsecondary education for Michigan citizens. These partnerships assist MHEAA and MHESLA to increase access for Michigan students to higher education. Together, we develop programs that help support and strengthen our commitment to an expanded educated workforce in Michigan. Some of these partnerships include:

Michigan Student Financial Aid Association (MSFAA): MSFAA, founded in 1967, is a state organization that brings together postsecondary schools and other public and private organizations involved with providing financial aid for students. MSFAA's mission is to enhance student financial aid awareness, to promote student access to postsecondary education and to provide professional development opportunities for its members.

Mapping Your Future (MYF): MYF is a public-service, nonprofit web site providing career, college, financial aid, and financial literacy information and services to students, their families, and schools. MYF's vision is to be the leading public-service, collaborative provider of free information and services for schools, and for students and families as they consider college, financial aid, careers, and financial literacy options. Its mission is to enable individuals to achieve life-long success by empowering schools, students, and families with free, web-based college, financial aid, career, and financial literacy information and services.

Partnership for Learning (Partnership): The Partnership is a nationally award-winning non-profit that helps schools and communities work together to raise achievement from cradle to college. Each year, Michigan families use more than 1,000,000 copies of its publications in more than 90% of public and private schools and colleges. The Partnership's training and events involve thousands of participants and more than 300 volunteers.

Michigan Council on Economic Education (MCEE): The MCEE provides leadership promoting and strengthening economic education in Michigan. Independent and nonpartisan, the organization provides in-service and pre-service training for teachers, develops and distributes curriculum materials, builds excitement for learning through student competitions, offers guidance to school systems seeking advice on curriculum development, and recognizes teachers and school systems for outstanding endeavors. Independently affiliated with the National Council on Economic Education, MCEE is part of a network of state councils and university-based centers promoting economic literacy. The National Council is recognized throughout the U.S. and the world as the premiere source of teacher training, educational materials, and curriculum reform in economic education. MCEE programs and services help educators bring economic success and understanding to students who must function in a complex, rapidly changing environment.

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"To develop a complete mind: study the science of art; study the art of science. Learn how to see. Realize that everything connects to everything else."

Leonardo da Vinci

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Advisory Committee

The SFS Advisory Committee

The success of the Michigan student financial aid programs can be attributed to the cooperation and contributions of all program participants. The SFS Advisory Committee exists to enhance that cooperation and provide guidance to SFS staff in accomplishing our responsibilities with regard to all state financial aid programs. The advisory committee, chosen from among Michigan's schools and lenders, meets to review procedural and policy changes, goals, legislation, school and lender recommendations, and current issues. This collaboration with Michigan's higher education community gives SFS the opportunity to meet the needs of each school and lender in the support of access to higher education.

Ms. Diane Bice
Financial Aid Director
Kettering University

Ms. Marianne Casey
Student Lending Manager
Comerica Bank

Ms. Daisy Cordero
Financial Aid Administrator
Wayne State University

Ms. Susan Crkovski
Executive Director of Financial Aid
Davenport University

Ms. Deonna Decker
Assistant Vice President
Citibank

Ms. Kim Desgranges
Director of Campus Relations
Nelnet

Mr. Mike Foster
Student Loan Sales Manager
LaSalle Bank, Midwest, N.A.

Ms. Pam Fowler
Director, Financial Aid Office
University of Michigan

Ms. Carol Greenough
Student Loan Officer
Wanigas Federal Credit Union

Mr. Ronnie Higgs
Director, Financial Aid Office
Ferris State University

Ms. Christine J. Horler
Director of Financial Aid
Dorsey Business Schools

Ms. Bernice Lindke
Assistant VP for Enrollment Services
Eastern Michigan University

Mr. Mark Martin
Director of Financial Aid
Lawrence Technological University

Mr. Robert Nelson
Director of Student Loans
Baker College

Ms. Wilma Porter
Director of Financial Assistance and Scholarships
Oakland Community College

Ms. Kristine Rembach
Vice President
Bank One

Mr. Rick Shipman
Director, Office of Financial Aid
Michigan State University

Mr. Gary Sole
Vice President
National City Bank

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"Life can only be understood backwards but you have to live it forward. You can only do that by stepping into uncertainty and by trying, within this uncertainty, to create your own islands of security...The new security will be a belief that...if this doesn't work out you could do something else. You are your own security."

Charles Handy

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Statement of Compliance

MHEAA and MHESLA comply with all federal laws and regulations prohibiting discrimination and with all requirements and regulations of the U.S. Department of Education. It is the policy of MHEAA and MHESLA that no person on the basis of race, color, religion, national origin or ancestry, age, sex, marital status, or handicap shall be discriminated against, excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination in any program or activity for which it is responsible or for which it receives financial assistance from the U.S. Department of Education.

The publication of this annual report is mandated by Section 10 of Act 77 of the Public Acts of 1960, as amended.

**STATE OF MICHIGAN
DEPARTMENT OF TREASURY
STUDENT FINANCIAL SERVICES BUREAU
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LANSING, MI 48909-7547**

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MICHIGAN.GOV/STUDENTAID**

